Namaste Technologies Inc.
Management Discussion and Analysis
Three and six months ended February 28, 2018

This “Management’s Discussion and Analysis” (“MD&A”) has been prepared as at February 28, 2018 and should be read in conjunction with Namaste Technologies Inc. (the “Company”) unaudited condensed consolidated interim financial statements and related notes for the three months ended February 28, 2018, and its audited consolidated financial statements and MD&A for the twelve months ended August 31, 2017.

Additional information relating to the Company can be found on SEDAR at www.sedar.com.

Management's responsibility for financial reporting

The MD&A for the Company is the responsibility of management. The Board of Directors is responsible for ensuring that management fulfills its responsibility for financial reporting and is ultimately responsible for reviewing and approving the MD&A.

Forward looking statements

This MD&A includes certain forward-looking statements that are based upon current expectations which involve risks and uncertainties associated with the Company’s business and the economic environment in which the business operates. Any statements contained herein that are not statements of historical facts may be deemed to be forward-looking statements, which are often, but not always, identified by the use of words such as “seek”, “anticipate”, “budget”, “plan”, “continue”, “estimate”, “expect”, “forecast”, “may”, “will”, “project”, “predict”, “potential”, “targeting”, “intend”, “could”, “might”, “should”, “believe” and similar words or phrases (including negative variations) suggesting future outcomes or statements regarding an outlook. The forward- looking statements are not historical facts but reflect the Company’s current expectations regarding future results or events. Forward-looking statements contained in this MD&A are subject to a number of risks and uncertainties that could cause actual results or events to differ materially from current expectations, including the matters discussed in the section “Risks and Uncertainties” below.

Specifically, this MD&A includes, but is not limited to, forward-looking statements regarding management’s goal of creating shareholder value, the ability to fund future operating costs, the timing for future research and development of the Company’s current and future technologies, sensitivity analysis on financial instruments that may vary from amounts disclosed, prices and price volatility of the Company’s products and general business and economic conditions.

Readers are cautioned that the above factors are not exhaustive. Although management has attempted to identify important factors that could cause actual events and results to differ materially from those described in the forward-looking information, there may be other factors that cause events or results to differ from those intended, anticipated or estimated.

Management believes the expectations reflected in the forward-looking information are reasonable, but no assurance can be given that these expectations will prove to be correct and readers are cautioned not to place undue reliance on forward-looking information contained in this MD&A.

The forward-looking information contained in this MD&A is provided as of the date hereof and management undertakes no obligation to update publicly or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as otherwise required by law. All of the forward-looking information contained in this MD&A is expressly qualified by this cautionary statement.

Summary of significant accounting polices

The summary of significant accounting policies including the update on accounting standards issued but not yet effective are disclosed in Note 3 of the condensed consolidated interim financial statement.

Basis of consolidation

The interim condensed consolidated interim financial statements include the accounts of the Company and entities controlled by the Company and its subsidiaries.

The interim condensed consolidated interim financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

As of February 28, 2018, Subsidiaries of the parent Company, Namaste Technologies Inc. are as follows:

Equity interests

	February 28, 2018	***August 31, 2017***
Namaste Technologies Holdings Inc.	100%	100%
Namaste Bahamas Inc.	100%	100%
Australian Vaporizers Pty Ltd.	100%	100%
CannMart Inc.	100%	100%
NamasteMD Inc.	100%	0%

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the interim consolidated statements of income and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

All intercompany transactions, balances, revenue and expenses are eliminated in full on consolidation.

Description of the business

Namaste Technologies Inc. (the “Company”) is a publicly traded corporation, incorporated in British Columbia, Canada, with its office located at Suite 2300, 550 Burrard Street, Vancouver, British Columbia, Canada V6C 2B5. The Company’s primary listing is on the Canadian Securities Exchange, under the trading symbol “N”.

Namaste is one of the largest online retailers for medical cannabis delivery systems globally. Namaste retails vaporizers and smoking accessories through e-commerce sites in 26 countries with 5 distribution hubs located around the world. Namaste has majority market share in Europe and Australia, with operations in the United Kingdom, Canada and Germany and has opened new supply channels into emerging markets, which include Brazil, Mexico and Chile. Namaste, through its acquisition of CannMart Inc., a Canadian-based late-stage applicant for a medical cannabis “sales-only” license under Canadas Access to Cannabis for medical Purposes (“ACMPR”) program, is pursuing a new revenue vertical in the online retail of medical cannabis in the Canadian market. Namaste intends to leverage its existing database of Canadian medical cannabis consumers along with its technology and expertise in e-commerce to create an online marketplace for medical cannabis patients, offering a larger variety of product and a better user experience.

Through its wholly-owned subsidiaries, the Company is an international leader in vaporizer and accessories distribution, social media and e-commerce, and product design and manufacturing. The Company has over 20 e-commerce retail stores in 24 countries and offers one of the largest range of brand name vaporizer products on the market. Recognized as a source of information, reviews and social media on vaporizer products, the Company has a unique market perspective and ability design and engineer products that align with the current direction of the market. The Company is currently focused on expanding its product offering, acquisitions and strategic partnerships, and entering new markets globally.

Business strategy of the company

Management's business strategy is currently focused on a multi-pronged approach to diversify revenue streams including e-commerce, wholesale distribution, product design and manufacturing, and selective acquisitions. Management believes there is an established and growing consumer demand for its products internationally. The current expansion focus is as follows:

- **E-Commerce, social media**

  Namaste has a competitive advantage in international markets through its established e-commerce presence, logistics and fulfillment capabilities, and best-in-class customer service standards as evidenced by the Company receiving the #1 rating in the online vaporizer category from TrustPilot, a globally recognized and independent customer review portal. Going forward, Namaste will continue to expand its presence through further enhancement of its search engine optimization, online advertising through select channels, and social media campaigns. The Company is currently focused on entering and expanding in key markets including Canada, Mexico, Australia, and Brazil.

- **Wholesale distribution**

  Namaste has identified an opportunity to further expand into wholesale distribution in international markets and intends to utilize its established infrastructure to provide tangible benefits to select manufacturers. This includes entering into exclusive distribution partnerships with manufacturers for select territories and providing international services including fulfillment and logistics management, inventory control, repair and replacement centers, and multi-lingual customer service support. Management believes as the market potential for vaporizers expands and continues to become mainstream, more manufacturers will seek to expand internationally. Namaste is ideally positioned to capture this market share with distribution and fulfillment centers located in the UK, Australia and Brazil.

- **Industry consolidation**

  As one of the first true vaporizer and accessories companies to access public capital, the Company has identified multiple opportunities to expand by acquisition. The focus of the Company's acquisition strategy is to identify companies that complement Namaste in terms of financial profile, geographical focus, and product and service offering and enter into transactions that are accretive on a per share basis. Based on management's analysis of the market, the vaporizer and accessory space is fragmented and high growth, which makes the industry ideal for consolidation.

Overall performance

- For the three months ended February 28, 2018, Namaste generated revenues of $5.6 million, a gross profit of $2.0 million, and a gross profit margin of 35%. For the six months ended February 28, 2018, Namaste generated revenues of $10.6 million, a gross profit of $3.6 million, and a gross profit margin of 34%.
- The Company successfully closed a bought-deal financing financing during the second quarter ended February 28, 2018 for gross proceeds of $40.3 million.
- During the three and six months ended February 28, 2018, the Company raised further funds from the exercise of warrants and options for gross proceeds of $9.9 million and $13.6 million, respectively.
- The company operates three distinct business segments known as Namaste-other, Australian Vaporizers and CannMart.

Discussion of operations

On December 5, 2017, Namaste announced that it has signed an non-binding letter of intent ("**LOI**") with O Cannabis We Stand On Guard For Thee ("O Cannabis") under which O Cannabis will provide patient consultation services to Namaste's wholly owned subsidiary, NamasteMD Inc. ("NamasteMD"). Pursuant to the LOI, O Cannabis will provide management services to NamasteMD that will include patient consultations, education, strain recommendations and medical document issuance to qualified patients under the guidance of nurse practitioners. In addition to these services, O Cannabis will also be offering a select range of Namaste's vaporizer hardware in their online platform.

On December 12, 2017, Namaste is pleased to announce a LOI with Supreme Pharmaceuticals Inc. ("Supreme"). The LOI, signed by Supreme's wholly owned subsidiary, 7ACRES, and Namaste's wholly owned subsidiary, Cannmart provides that Supreme will supply CannMart with a premium range of high quality dried cannabis flower which will be offered in the Company's medical marketplace.

On December 22, 2017, Namaste has signed a Fulfilment Services Agreement with Greenlane Canada whereby Greenlane will provide exclusive order fulfilment and warranty services for Namaste's Canadian websites. Under the terms of the Agreement, Greenlane will fulfill orders for all products set forth in Greenlane's product offering as well as products which are marketed and sold under brands controlled by Namaste and other third-party products as specified by Namaste.

On December 27, 2017, Namaste signed a LOI with BRLEV Agricultural Crops Ltd., through its wholly owned subsidiary, Cannmart Inc., whereby BRLEV will supply CannMart with high quality medical cannabis, to be imported by CannMart from Israel and offered in the Company's online marketplaceBRLEV will work with Namaste to export medical cannabis to the Canadian market, which will fall under Canada's ACMPR guidelines.

On January 10, 2018, Namaste announced that it has entered into a Services Agreement with 3955 Trading Inc. ("Cannamerx"), Canada's first online marketplace for the wholesale purchase of medical cannabis certified under the ACMPR. Cannamerx is a fully automated, ACMPR-compliant forward auction trading platform for bulk cannabis and cannabis products in Canada.

On January 11, 2018, Namaste announced a Global Digital Reseller-Supply Agreement with Phivida Holdings Inc. Namaste has been approved as the preferred global online retailer and digital affiliate marketing partner for Phivida's product line of premium hemp-derived Cannabidiol ("CBD") infused functional beverages and clinical health products.

On January 12, 2018, Isodiol International Inc., a global bio-active phytoceutical innovator specializing in the development of pharmaceutical and wellness products, is pleased to announce that it has signed a binding agreement with Namaste Through this non-exclusive partnership, Isodiol will become a provider of phytoceutical products to Namaste, to be sold through select distribution channels on its e-commerce platform.

On January 16, 2018, Namaste announced that the Company is participating as a lead order in a private placement offering by Atlas Growers Ltd. ("Atlas"), which is a late-stage applicant for an ACMPR cultivation and sales license. In consideration of the investment, Atlas and Namaste's wholly owned subsidiary, Cannmart. have entered in to a supply agreement whereby Atlas agrees to guarantee supply to Cannmart by offering first right of refusal for a minimum of 20% of the net production of medical cannabis through Atlas. Namaste has completed the Subscription Agreement under the terms of the private placement, for $200,000 in exchange for 200,000 Class B Common shares of Atlas stock at a price of $1.00 per common share.

On January 18, 2018, Namaste announced that the Company has signed a non-binding LOI with Israeli medical cannabis producer, Cannbit, whereby the companies propose to enter into a share purchase agreement and/or a subscription agreement whereby Namaste would acquire an equity position of 5% in Cannbit through an investment to be made in a proportion to be determined and agreed by both parties.

Cannbit will also offer Namaste a first right of refusal to purchase an additional 5% equity in shares at the same valuation.

On January 30, 2018, Emerald Health Therapeutics Inc. ("Emerald") and Namaste have signed a LOI whereby Namaste and Emerald propose to enter into a definitive agreement to collaborate on strategic business opportunities worldwide and develop a fully-integrated e-commerce platform to serve as a retail channel for Emerald's patients. Under the terms of the Proposed Agreement, the companies would leverage Namaste's existing consumer databases, site traffic and e-commerce technology for marketing purposes along with Emerald's pharmaceutical and biotech expertise to develop medical cannabis downstream products tailored to specific markets and patients

On February 2, 2018, Namaste announced that it has closed a bought deal offering of units, including the exercise in full of the over-allotment option. A total of 15,784,900 units of the Company ("Units") were sold at a price of $2.55 per unit for gross proceeds of $40,251,495 (including the exercise in full of the over-allotment option). Each unit was comprised of one common share in the capital of the Company (a "Common Share") and one Common Share purchase warrant of the Company (a "Warrant"). Each Warrant entitles the holder thereof to purchase one Common Share at a price of $3.15 for a period of 24 months following the date hereof, subject to acceleration of the expiry date in the event the volume weighted average price of the Common Shares on the CSE is equal to or greater than $6.00 per Common Shares for a period of 10 consecutive trading days.

Selected Financial Information

	For three months ended		*For six months ended*	
	February 28, 2018	***February 28, 2017***	***February 28, 2018***	***February 28, 2017***
Sales	**5,633,830**	1,907,106	**10,564,940**	3,994,294
Gross profit	**1,978,038**	826,604	**3,557,571**	1,509,620
Net loss	**(3,158,619)**	(1,553,377)	**(6,262,220)**	(2,450,451)
Net loss per share, basic & diluted:	**$ (0.01)**	$ (0.01)	**$ (0.03)**	$ (0.02)
Weighted average number of outstanding common shares, basic and diluted:	**246,062,232**	114,351,143	**222,604,191**	103,959,921

Revenue

The Company's net revenues for the three months ended to February 28, 2018 were $5.6 million (2017 – $1.9 million), which is an increase of $3.7 million or 195% as compared to the three months ended February 28, 2017. The increase in net revenues during the second quarter of 2018 was primarily due to organic growth in the company. In addition to this, the second quarter of 2018 includes revenue for Australian Vaporizers, whereas in the second quarter of 2017, revenue did not include Australian Vaporizers because the acquisition occurred after the second quarter of 2017.

The Company's net revenues for the six months ended February 28, 2018 were $10.6 million (2017 – $3.9 million), which is an increase of $6.7 million or 172% as compared to the six months ended February 28, 2017. The increase in net revenues for the six months ended February 28, 2018 was primarily due to the aforementioned factors above. In addition to this, the first six months ended February 28, 2018 includes revenues from the EDIT domains, whereas the comparative period in prior year only included partial revenues because the business was acquired in the middle of the first quarter of prior year.

The change of business model to growing organic traffic through search engine optimization has started to yield tangible results. This is attributable to management's transition from advertising using broadly based search engines into lower customer acquisition cost methods including the generation of specialized digital leads through search engine optimization. Based on this transition, management anticipates revenue to increase steadily as the Company invests in further expanding its established e-commerce platform, enters into wholesale arrangements and commercializes proprietary products.

Revenues by country

	For three months ended		*For six months ended*	
Country	**February 28, 2018**	**February 28, 2017**	**February 28, 2018**	**February 28, 2017**
United Kingdom	**1,346,193**	737,946	**2,580,176**	1,285,227
Australia	**1,234,429**	91,371	**2,650,200**	170,255
United States of America	**1,140,217**	525,518	**1,817,769**	1,437,529
Brazil	**380,879**	100,591	**735,323**	202,514
Canada	**678,815**	78,985	**1,034,447**	159,223
Germany	**287,878**	32,660	**550,488**	56,097
New Zealand	**71,714**	75,149	**176,198**	209,317
Ireland	**36,902**	51,759	**98,722**	87,264
Israel	**94,160**	26,367	**157,004**	48,603
Other	**362,643**	186,760	**764,614**	338,265
Total	**5,633,830**	1,907,106	**10,564,940**	3,994,294

The majority of revenues were generated by several key markets. For the three and six months ended February 28, 2018, the top five revenue earning countries generated 85% and 84% of revenues, respectively. For the three and six months ended February 28, 2017, the top five revenue earning countries generated 81% and 83% of revenues, respectively.

Revenue by segment

	For three months ended		*For six months ended*	
	February 28, 2018	***February 28, 2017***	***February 28, 2018***	***February 28, 2017***
Namaste-other				
Net segment revenue	**4,397,952**	1,907,106	**8,049,340**	3,994,294
Intersegement revenue	**(35,285)**	-	**(35,285)**	-
External revenue	**4,362,667**	1,907,106	**8,014,055**	3,994,294
Australia				
Net segment revenue	**1,106,995**	-	**2,386,717**	-
Intersegement revenue	-	-	-	-
External revenue	**1,106,995**	-	**2,386,717**	-
CannMart				
Net segment revenue	**164,168**	-	**164,168**	-
Intersegement revenue	**-**	-	**-**	-
	164,168	-	**164,168**	-
Total revenue by segment	**5,633,830**	1,907,106	**10,564,940**	3,994,294

Gross profit and cost of sales

Gross Profit

	For three months ended		*For six months ended*	
	February 28, 2018	*February 28, 2017*	*February 28, 2018*	*February 28, 2017*
Sales	5,633,830	1,907,106	10,564,940	3,994,294
Cost of sales	3,655,792	1,080,502	7,007,369	2,484,674
Gross profit	1,978,038	826,604	3,557,571	1,509,620
Gross profit %	35%	43%	34%	38%

Cost of sales includes all expenditures relating to the product. This includes shipping fees, import duties, storage costs, handling charges and insurances. The Company uses the weighted average method to track and cost inventory items. The inventory consists of vaporizers, vaporizer accessories, and therapeutic herbs. The inventory consists solely of goods currently available for sale and does not include any unfinished goods or work-in-progress.

The Company's cost of sales for the three months ended February 28, 2018 were $3.7 million (2017 – $1.1 million), which resulted in a gross profit of $2.0 million (2017 – $0.8 million). The gross profit increased by $1.2 million or 150%, primarily due to the growth in revenue. The gross profit margin decreased quarter-on-quarter from 43% to 35%, primarily due shipping costs. As a result of Namaste's international growth, shipping costs to international customers have correspondingly increased.

The Company's cost of sales for the six months ended February 28, 2018 were $7.0 million (2017 – $2.5 million), which resulted in a gross profit of $3.6 million (2017 – $1.5 million). The gross profit increased by $2.1 million or 140%, which is primarily due to the growth in revenue. The gross profit margin decreased year-over-year from 38% to 34%, primarily due to the aforementioned factors impacting the second quarter of 2018.

Operating expenses

The table below sets forth operating expenses for the three months ended February 28, 2018.

Operating Expense

	For three months ended		*For six months ended*	
	February 28, 2018	*February 28, 2017*	*February 28, 2018*	*February 28, 2017*
Operating expenses				
Selling expenses	**1,723,398**	604,106	**2,816,578**	1,139,941
Administration expenses	**3,471,249**	1,777,789	**6,773,654**	2,802,392
Other expenses	**269,671**	(1,914)	**512,478**	17,738
Total operating expenses	**5,464,318**	2,379,981	**10,102,710**	3,960,071

For the three months ended February 28, 2018 operating expenses were $5.5 million (2017 - $2.4 million), which is an increase of $3.1 million. The increase in operating expenses is primarily due to non-cash charges of $1.5 million, which included share-based compensation and amortization of intangible assets. In addition to this, there was an increase in professional fees as well as operating expenses incurred from the Australian Vaporizers segment, as a result of the Company's acquisition of Australian Vaporizers Pty Ltd. in March 2017. Lastly, the remaining increase is a result of organic growth in the company.

For the six months ended February 28, 2018 operating expenses were $10.1 million (2017 - $4.0 million), which is an increase of $6.1 million. The increase is primarily due to the aforementioned factors impacting the three months ended February 28, 2018.

Selling expenses for the three months ended February 28, 2018 were $1.7 million (2017 – $0.6 million), which is an increase of $1.1 million. The increase is due to an increase in advertising expenses of $0.6 million and consulting expenses of $0.5 million. Advertising expenses relate to online search services as well as other online promotional and social media tools utilized by the Company to generate sales. These costs further represent the Company's significant investment into search engine optimization and its ongoing customer acquisition strategy. Consulting expenses relate to compensation amounts paid to various companies and individuals for marketing, fulfillment and distribution services, customer service activities, e-commerce product development, back-office e-commerce support and sales commissions. In addition to this, there are increased consulting costs primarily related to information technology in order to develop current and new revenue channels that the Company is working towards.

For the six months ended February 28, 2018 selling expenses were $2.8 million (2017 - $1.1 million), which is an increase of $1.7 million. The increase is due to an increase in advertising expenses of $0.7 million and consulting expenses of $1.0 million. The increase in these costs is due to the aforementioned factors impacting the three months ended February 28, 2018.

Administration expenses for the three months ended February 28, 2018 were $3.5 million (2017 – $1.8 million), which is an increase of $1.7 million. The increase is primarily due to non-cash share-based compensation of $1.3 million. The remaining increase is primarily due to merchant fees as a result of the increase in revenue as well as increase in professional fees. Lastly, there were administrative costs from Australian Vaporizers operating segment, which were not part of the comparative period in prior year.

Administration expenses for the six months ended February 28, 2018 were $6.8 million (2017 – $2.8 million), which is an increase of $4.0 million. The increase is primarily due to the aforementioned factors impacting the three months ended February 28, 2018.

Other expenses for the three months ended February 28, 2018 were $0.3 million (2017 – approximately nil), which is an increase of $0.3 million. The increase is primarily due to amortization of intangibles of $0.2 million, which relates to the amortization of the customers list from the acquisition of Australian Vaporizers.

Other expenses for the six months ended February 28, 2018 were $0.5 million (2017 – approximately nil), which is an increase of $0.5 million. The increase is primarily due to the aforementioned factors impacting the three months ended February 28, 2018.

Other income

During the three and six months ended February 28, 2018, the Company closed the sale of Dollinger Enterprises US Inc. The Company recorded a total gain of $286,305.

Summary of quarterly results

Summary of Quarterly Results

	May-16	***Aug-16***	***Nov-16***	***Feb-17***	***May-17***	***Aug-17***	***Nov-17***	***Feb-18***
Sales	738,199	877,031	2,087,188	1,907,106	3,164,232	3,822,888	4,931,110	5,633,830
Cost of Goods Sold	445,224	686,149	1,526,690	1,080,502	2,917,533	3,849,991	3,351,577	3,655,792
Gross Profit	**292,975**	**190,882**	**560,498**	**826,604**	**246,699**	**(27,103)**	**1,579,533**	**1,978,038**
Gross margin	*39.7%*	*21.8%*	*26.9%*	*43.3%*	*7.8%*	*-0.7%*	*32.0%*	*35.1%*
Net Income loss	(288,145)	(1,139,830)	(1,011,333)	(1,553,377)	(4,436,324)	(10,437,773)	(3,103,601)	(3,158,619)
Net loss per share, basic:	(0.00)	(0.02)	(0.01)	(0.01)	(0.03)	(0.06)	(0.02)	(0.01)
Weighted average number of outstanding common shares, basic:	59,514,836	64,537,844	90,012,893	114,351,143	157,475,300	185,040,460	193,053,277	246,062,232
Total assets	1,357,305	4,111,081	13,055,751	7,991,329	21,374,108	13,924,370	22,735,617	66,858,770

The Company has seasonal fluctuations in its operating results, which is primarily due to the sales cycle that exists in the e-commerce sector. The increase in net loss during the second quarter ended February 2017 was primarily due to an increase in administration expenses related to business development initiatives. The decline in gross profit in the third quarter ended May 2017 was primarily due to the timing of cost of sales that were recognized during the period, an increase in consulting fees and an increase in share-based compensation. The increase in net loss during the fourth quarter ended August 2017 was primarily due to impairment of goodwill and intangible assets. The net loss in the quarters ended November 2017 and February 2018 were primarily due to non-cash charges of shares for services and share-based compensation.

Liquidity

The Company's objectives when managing its liquidity and capital structure are to generate sufficient cash to fund operating and organic growth requirements. The Company's cash resources are impacted by the seasonality of e-commerce sales. The Company has sufficient cash on hand to manage its short-term and long-term objective.

As at February 28, 2018, the Company had cash of $51,920,015. Working capital for the Company consists of current assets less current liabilities. As at February 28, 2018, the Company has sufficient capital resources to satisfy its near term and long term financial obligations as well as growth initiatives.

The table below sets forth the cash and working capital position of the Company as at February 28, 2018 and August 31, 2017.

Cash and working capital position

	February 28, 2018	August 31, 2017
Cash	51,920,015	1,132,770
Working capital excluding cash	1,939,475	2,310,241

The table below sets forth the Company's cash flows for the three and six months ended February 28, 2018.

Cash flow

	For three months ended		*For six months ended*	
Cash provided by (used in):	*February 28, 2018*	*February 28, 2017*	*February 28, 2018*	*February 28, 2017*
Operating activities	**(729,779)**	(807,597)	**(1,504,482)**	(2,815,739)
Finance activities	**44,467,052**	(415,735)	**53,104,923**	5,288,746
Investing activities	**(764,607)**	1,183,353	**(813,196)**	(2,115,781)

- ***Cash used in operating activities***

  For the three months ended February 28, 2018, the cash used in operating activities was $0.7 million (2017 - $0.8 million), which is comparable to the previous period.

  For the six months ended February 28, 2018, the cash used in operating activities was approximately $1.5 million (2017 - $2.8 million). The reduction in cash used during the period, was primarily due to an increase in net revenues and gross profit.

- ***Cash provided by financing activities***

  For the three months ended February 28, 2018, the cash provided by financing activities was $44.5 million (2017 – cash used of $0.4 million). The increase in cash provided by financing activities is primarily due to the gross proceed of $40.3 million from the bought-deal that was completed in the second quarter of 2018.

For the six months ended February 28, 2018, the cash provided by financing activities in operating activities as $53.1 million (2017 - $5.3 million). The increase is primarily due to the aforementioned factor that impacted the second quarter of 2018.

- ***Cash used in investing activities***

  For the three months ended February 28, 2018, the cash used in investing activities was $0.8 million (2017 – cash provided of $1.0 million). Cash used in investing activities in the second quarter of 2018 relates primarily to building the CannMart facility.

  For the six months ended February 28, 2018, the cash used in investing activities was $0.8 million (2017 – 2.1 million). Cash used in investing activities for the six months ended February 28, 2018 relates primarily to the aforementioned factor. In the comparative period of prior year, costs incurred were primarily due to the acquisition of URT1.

Non-IFRS Measures

Management evaluates the Company's performance using a variety of measures. The non-IFRS measures discussed below should not be considered as an alternative to or to be more meaningful than net revenue or net loss. These measures do not have any standardized meaning prescribed by IFRS and many not be comparable to similar measures presented by other companies.

Adjusted EBITDA

	For three months ended		*For six months ended*	
	February 28, 2018	***February 28, 2017***	***February 28, 2018***	***February 28, 2017***
IFRS measures from consolidated financial statements				
Statement of loss:				
Net loss	**(3,158,619)**	(1,553,377)	**(6,262,220)**	(2,450,451)
Current tax expense	**29,013**	-	**144,123**	-
Deferred tax benefit	**(70,369)**	-	**(140,737)**	-
Depreciation	**13,827**	-	**30,376**	-
Amortization of intangible assets	**234,561**	-	**469,122**	-
EBITDA	**(2,951,587)**	(1,553,377)	**(5,759,336)**	(2,450,451)
Adjustments:				
Gain on disposal of Dollinger Enterprises US Inc.	**(286,305)**	-	**(286,305)**	-
Share-based compensation	**1,864,100**	573,846	**3,952,043**	625,610
Shares for services	**-**	**-**	**324,338**	0
Foreign exchange loss (gain)	**21,283**	(1,914)	**12,980**	17,738
Adjusted EBITDA	**(1,352,509)**	(981,445)	**(1,756,280)**	**(1,807,103)**

EBITDA and Adjusted EBITDA are calculated as described above, adjusted for specific items that are significant but not reflective of the Corporation's underlying operations. Adjustment of these specific items is subjective; however, management uses its judgment and informed decision-making when identifying items for adjustment.

Adjusted EBITDA is provided to assist management and investors in determining the Company's operating performance before income taxes, depreciation and amortization, and certain other income and expenses. Income taxes, depreciation and amortization are excluded from the EBITDA calculation, as they do not represent cash expenditures that are directly affected by operations. Management believes that presentation of this non-IFRS measure provides useful information to investors and shareholders as it provides predictive value and assists in the evaluation of performance trends. Management uses adjusted EBITDA to compare financial results among reporting periods and to evaluate Namaste's operating performance and ability to generate funds from operating activities.

In calculating Adjusted EBITDA, management excluded certain non-cash and nonrecurring transactions. Adjusted EBITDA excluded non-cash expenses related to share-based compensation and foreign exchange gains and losses.

Capital resources

On October 31, 2017, Namaste completed its non-brokered private placement, whereby a total of 14,409,000 Units of the Company have been issued and sold, at a price per Unit of $0.25, for total gross proceeds of $3,602,250. Each Unit consists of one common share of the Company (a "Share") and one common share purchase warrant (a "Warrant"). Each Warrant entitles the holder thereof to acquire one Share at a price of $0.35 for a period of 24 months following the closing date. The fair value of the warrants was calculated at $1,707,028 based on the Black Scholes model. In the event that the closing price of the Company's Shares on the Canadian Securities Exchange is greater than $0.70 per Share for a period of 10 consecutive trading days at any time after the closing of the Offering, the Company may accelerate the expiry date of the Warrants by giving notice to the holders thereof and in such case the Warrants will expire on the 30th day after the date on which such notice is given by the Company.

On February 27, 2018 Namaste completed a non-brokered private placement issuing a total of 15,784,900 Units of the Company at a price per Unit of $2.55, for total gross proceeds of $40,251,495. Each Unit consists of one common share of the Company (a "Share") and one common share purchase warrant (a "Warrant"). Each Warrant entitles the holder thereof to acquire one Share at a price of $3.15 for a period of 24 months following the closing. The fair value of the warrants was calculated at $12,550,198 based on the Black Scholes model. In the event that the closing price of the Company's Shares on the Canadian Securities Exchange is greater than $6.00 per Share for a period of 10 consecutive trading days at any time after the closing of the Offering, the Company may accelerate the expiry date of the Warrants by giving notice to the holders thereof and in such case the Warrants will expire on the 30th day after the date on which such notice is given by the Company.

For the three months ended February 28, 2018 the Company issued 34,713,073 common shares on exercise of various warrants and options for total gross proceeds of $9.9 million. For the six months ended February 28, 2018 the Company issued 48,045,136 common shares on exercise of various warrants and options for total gross proceeds of $13.7 million.

Related party transactions

	February 28, 2018	*August 31, 2017*
Due from shareholders	**1,055**	64,730
Due from other related parties	**17,148**	16,882
Total due from related parties	**18,203**	81,612
Due to other related parties	**-**	(552)
Total due to related parties	**-**	(552)
Total due from related parties	**18,203**	**81,060**

Financial instruments

Financial instruments that are measured at fair value use inputs which are classified within a hierarchy that prioritizes their significance. The three levels of the fair value hierarchy are:

- Level One includes quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level Two includes inputs that are observable other than quoted prices included in Level One; and
- Level Three includes inputs that are not based on observable market data.

The Company its investments as available for sale financial assets and its accounts receivable as loans and receivables. Accounts payable and accrued liabilities, due to related party, earn-out and loans payable have been designated as other financial liabilities. The fair value of all financial instruments is determined using level three of the hierarchy.

As at February 28, 2018, both the carrying and fair value amounts of all the Company's financial instruments are approximately equivalent. The carrying and fair value amounts of the Company's loans payable are equivalent due to the nature of the loans.

A summary of the Company's risk exposures as it relates to financial instruments are reflected below:

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and accounts receivable. The Company has no significant concentration of credit risk arising from operations. Cash consists of cash on hand deposited with reputable financial institutions which is closely monitored by management. Management believes credit risk with respect to financial instruments included in cash and due from related parties is minimal. The Company's maximum exposure to credit risk as at February 28, 2018 is the carrying value of cash held in merchant accounts and accounts receivable.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in satisfying its financial obligations. The Company manages its liquidity risk by forecasting it operations and anticipating its operating and investing activities. All amounts in current liabilities are due within one year.

Financial liabilities - February 28, 2018

	Carrying value	1 - 30 days	30 - 60 days	60 - 90 days	> 90 days
Accounts payable and accrued liabilities	2,452,592	1,992,008	194,089	48,198	189,242
Loan payable	314,214	-	314,214	-	-
Earn-outs payable	157,883	-	157,883	-	-
	2,924,689	1,992,008	666,186	48,198	189,242

Financial liabilities - August 31, 2017

	Carrying value	1 - 30 days	30 - 60 days	60 - 90 days	> 90 days
Accounts payable and accrued liabilities	777,402	530,047	205,432	38,745	3,178
Loan payable	379,924	-	94,981	-	284,943
Earn-outs payable	489,230	-	-	-	489,230
	1,646,556	530,047	300,413	38,745	777,351

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign currency risk and other price risk.

Interest rate risk

Interest rate risk consists of a) the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, and b) to the extent that changes in prevailing market rates differ from the interest rate in the Company's monetary assets and liabilities. The Company is not exposed to interest rate price risk.

Foreign currency risk

The Company buys inventory and sells products in several countries. The Company is exposed to foreign currency risk from fluctuations in foreign exchange rates and the degree of volatility in these rates due to the timing of their accounts payable balances. This risk is mitigated by timely payment of creditors and monitoring of foreign exchange fluctuations by management. The Company does not use derivative instruments to reduce its exposure to foreign currency risk.

Transactions in foreign currencies are translated to the respective functional currencies at the spot rate on the dates of the transactions. At each statement of financial position date, monetary assets and liabilities are translated using the period end foreign exchange rate. Non-monetary assets and liabilities are translated using the historical rate on the date of the transaction. Non-monetary assets and liabilities that are stated at fair value are translated using the historical rate on the date that the fair value was determined. All gains and losses on translation of these foreign currency transactions are included in income.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, other than those arising from interest rate risk or foreign currency risk. The Company is not exposed to significant other price risk.

Share Information

The Company is authorized to issue an unlimited number of common shares and an unlimited number of preferred shares. As at the date of this interim report, there were 272.1 million common shares issued and outstanding.

Off-balance sheet arrangements

The Company does not have any off-balance sheet arrangements.

Commitments

Commitments are disclosed in Note 15 of the condensed consolidated interim financial statement.

Subsequent events

Subsequent events are disclosed in Note 16 of the condensed consolidated interim financial statement.

Additional Information

Additional information regarding the Company, including the Company's Annual Information Form for the year ended August 31, 2016, is available under the Company's profile on SEDAR at www.sedar.com.